

Exhibit P

EXHIBIT Q

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Memo
February 6, 2025

To: Kenneth King, Advantage Capital
From: Scott Eady, Examiner-In-Charge
CC: Jake Garn, Ryan Basnett, Jill Gettman

Subject: Examination Finding #9 – Affiliation relationship exists between Advantage Capital Holdings (A-CAP) and 777 Partners, Inc.

During the ongoing financial condition examination of the A-CAP insurers, examiners identified material evidence concluding that an affiliation relationship between A-CAP and 777 Partners, LLC exists. This relationship was not disclosed in the insurance holding company system filings as of December 31, 2023.

According to regulatory definitions, an affiliate is an entity that is controlled by, controls, or is under common control with another entity. Control, as defined under Utah Code § 31A-1-301, South Carolina law, and SSAP No. 25, includes the ability to direct or cause the direction of management and policies of an entity through ownership, contractual rights, or governance structures. These definitions establish clear thresholds for determining affiliation, requiring disclosures under NAIC regulatory frameworks when control is exercised in a manner that impacts financial risk, governance, and operational oversight.

Applying these definitions to the A-CAP and 777 Partners relationship, examiners identified several indicators of control and affiliation. A-CAP's direct financial arrangements with 777 Partners, exceeding \$2.8 billion, demonstrate a substantial financial interest and influence over the latter's operations. Additionally, A-CAP's management representation within 777 Partners allows it to participate in strategic decision-making, further reinforcing its control.

A critical aspect of this control structure is A-CAP's investment in Sutton National Holdings (SNH), (owned by Steven Pasko, who controls 777 Partners) through Claughton Island Holdings LLC. This arrangement effectively grants A-CAP substantive economic influence over SNH's governance and financial policies, meeting the statutory definitions of control. Through preferred equity instruments, senior secured facilities, and governance agreements, A-CAP maintains priority distribution rights and capital allocation oversight, further reinforcing the control framework.

Beyond financial transactions, restrictive covenants embedded within management agreements, contractual obligations, and intercompany arrangements provide A-CAP with the authority to influence key financial and operational decisions within 777 Partners. This falls within the broad regulatory interpretation of control, as outlined in SSAP No. 25, which emphasizes that control can be exercised through direct ownership, contractual rights, or other mechanisms.

The examination has determined that A-CAP and 777 Partners operate under common control, with A-CAP exercising significant influence over 777 Partners through financial, governance, and contractual mechanisms. This relationship meets the definition of affiliation under NAIC, Utah, and South Carolina regulatory standards



Scott Eady
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